



Prospects of Fiscal Decentralization in Third Tier of Government

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ABSTRACT: Even India, after the BoP crisis of late 80s and early 90s was ready to shift its policy stance from an *inward looking economy* to *outward looking economy*. The erstwhile *inspector raj* was paving way for **Liberalization, Privatization and Globalization (LPG)** reforms. Along with this India also developed its prospects of rising democratic power in revamped *foreign and economic* policies. Financial sector reforms, Banking sector reforms, Telecommunication sector reforms and other erstwhile strategic sectors, *reserved for government enterprise*, were now open for investment and created employment, thereby promoting India's GDP in the process. For the first 10 years after LPG reforms, things went smoothly only to be expanded and transformed in the early years of new millennium.

KEYWORDS: Fiscal Autonomy, Self Reliance, Liberalization, Privatization, Globalization, Economy, Capitalism, Policy Implementation

Causes: After the fall of Berlin Wall in 1989 and rapid disintegration of Soviet Union in 1991, the wide prospects of mainstream economics were clear and shining brightly. All that needs to be done in such moments is to capitalize upon opportunity and grasp with open hands, the full open throttle. Once again, it had been the revival of liberalism in the world or in the words of some famous political philosopher "*End of History*".

The world suffered its '*largest catastrophe*' as in the words of Vladimir Putin. Two camps of the world were now history and the world was entering into the phase of unipolarity. All the evils of unbridled capitalism such as exploitation, mass levels of poverty and regression were in line to resurface, however, this time, the world was more accustomed to its provisions of '*welfare state*' rather than *egoistical individualism*.

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ward looking economy to *outward looking economy*. The erstwhile *inspector raj* was paving way for **Liberalization, Privatization and Globalization (LPG)** reforms. Along with this India also developed its prospects of rising democratic power in revamped *foreign and economic* policies.

Process of application: It was felt in the world that countries who could offer ease of doing business gained a lot of traction. India, walking the same path ratified several international conventions and allowed foreign entities to invest and shape the destiny of India. Needless to say, there were some backlashes but it was felt that it had to be done in all cases.

Financial sector reforms, Banking sector reforms, Telecommunication sector reforms and other erstwhile strategic sectors, *reserved for government enterprise*, were now open for investment and created employment, thereby promoting India's GDP in the process. For the first 10 years after LPG reforms, things went smoothly only to be expanded and transformed in the early years of new millennium. In these 10 years, India also introduced decentralized forms of power in the form of *Third Tier of Government, Local Government* comprising *Urban Local Bodies (ULBs) and Panchayati Raj Institutions (PRIs)*. With this, the need was felt for financial autonomy for the newly built local government and successive Finance Commissions recommended the same.

Modern Case and What more needs to be done: As per the recommendations of 15th Finance Commission, states receive 41% of share of revenue from centre and further transfer to their local government institutions. Not only the money has to be decentralized as in the process of Fiscal Decentralization but those last mile bodies also demands empowerment and autonomy.



Several recommendations by successive committees in different governments have suggested autonomy for local governments so that they can finance their self operations but its implementation falls short of expectations. With the rising need of technological interventions and need of the hour, it becomes imperative for all the states and union government to collaborate and work for overall development, especially fiscal decentralization.

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